1983 ANNUAL REPORT

SASKATCHEWAN GOVERNMENT INSURANCE
SASKATCHEWAN AUTO FUND

84- 3081 /

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 2, 1984

To His Honour,
The Honourable F.W. Johnson,
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of Saskatchewan Government Insurance for the year ended December 31, 1983, including the financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Government Insurance Act.

I have the honour to be, Sir,

Your obedient Servant,

P.E. Rousseau

Paul E. Rousseau
Minister in Charge of
Saskatchewan Government Insurance

CHAIRMAN'S MESSAGE

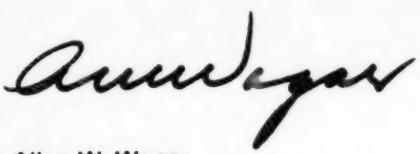
As Directors of SGI, the Board acts as policymakers for a competitive property/casualty insurance corporation and as trustees of the Saskatchewan Auto Fund. The Board was exceptionally busy in 1983, working hard to ensure that objectives for each side of SGI were established, and the means for their achievement developed. As part of this, we were pleased to approve in 1983 a comprehensive planning process in which all SGI employees will help the corporation achieve its goals.

The progress made in goal setting and planning is reflected in the encouraging 1983 financial results. The Auto Fund recorded a surplus of $27.5 million, eliminating an accumulated deficit of $12.6 million, and leaving a surplus of $14.9 million in the rate stabilization reserve. The competitive property/casualty lines made progress during the year despite severe summer storms, and showed a profit of $9.8 million after assumed reinsurance operations.

Active involvement from all Board members was an essential ingredient in the corporation's progress during the year. In addition to nine regular Directors' meetings, much of the Board's work was carried out in committee: the Executive Committee, chaired by Eli Fluter; the A.A.I.A. Committee, chaired by Al Nicholson; the Audit Committee, chaired by George Shaw; and the Reinsurance Committee, chaired by Al MacLean, which made a significant contribution to SGI's 1983 bottom line.

The formal separation of the Auto Fund from the general business was an achievement of note in 1983. Beginning in 1984, separate financial statements for the two operations will be issued, which will clearly distinguish investments and assets attributable to each operation.

The Board commends SGI management and staff for their substantial accomplishments during 1983. We are confident their efforts will continue to bring the corporation success in 1984.



Allan W. Wagar,
Chairman

PRESIDENT'S MESSAGE

In 1983, SGI made substantial progress toward goals intended to make the corporation more efficient. To accommodate objectives of productivity and profitability, changes to both policy and structure were made.

A reorganization in February consolidated the corporate structure. This resulted in fewer levels of management, permitting more direct contact with staff, and a closer alignment of product delivery areas with originating departments. This leaner operating structure allows us to more effectively do business.

Corporate policy underwent its most significant shift in the underwriting area. In general, underwriting standards were strengthened so that SGI will become a profitable insurer with a balanced and solid book of business. In practicable terms, that has meant a close scrutiny of all products -- a significant accomplishment of 1983.

Financially, the rainstorms of June 24 and July 9, 1983 denied us an underwriting profit on the competitive side of the business, but progress in redeveloping certain product lines cannot be ignored. Slowed losses and lower earned-claims ratios on farm, commercial and auto products represent a marked underwriting improvement over 1982. I am confident that by continuing to apply judicious underwriting, profitability will soon be restored to all product lines.

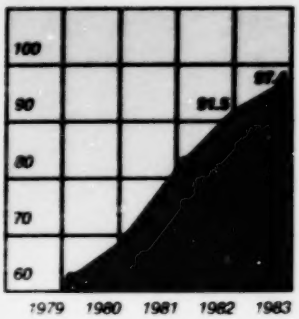
Concerted effort brought about results in other areas as well. By settling an important part of a large international reinsurance contract, the corporation reduced its claims liabilities by more than $20 million. This was directly responsible for the net profit of $9.8 million in our general business.

A revised long-range planning process begun in 1983 deserves particular recognition. Employees at almost every level are actively being involved in planning SGI's future: corporate and departmental goals will be set in consultation with those who must implement them. This assures management that objectives are realistic and attainable, and that they are backed by commitment and enthusiasm throughout the corporation. As well, training, education and career counselling will be strongly emphasized, because improved managerial skills and education mean productivity and better customer service.

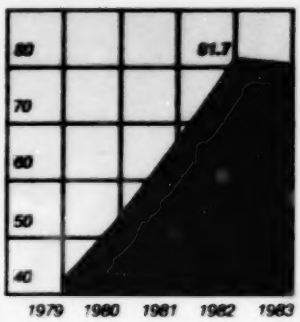
Donald W. Black
President

SASKATCHEWAN GOVERNMENT INSURANCE

Net Premiums Earned
Millions of $



Net Claims Incurred
Millions of $



The Canadian insurance industry continued to enjoy a modest recovery in 1983, due to a firmer rating and underwriting standards especially in personal lines, and savings in claims costs because of a lower inflation rate. Strong gains in the first half of 1983 were partly offset by a cloudy final two quarters, which saw claims frequency climbing and reduced gains in earned premiums and investment income.

SGI benefitted from these improved conditions and from its own product redevelopment program, which began in 1982 and continued throughout 1983. Such progress was made that only an unprecedented series of storms prevented SGI from virtually restoring its product lines to profitability.

Five separate wind, rain and hailstorms during the summer of 1983 caused insurers more than $80 million in property and auto damage province-wide. In Regina and Saskatoon, where two storms dumped more than 100 mm of rain apiece, widespread flooding and sewer backup resulted in more than 17,000 SGI claims worth in excess of $46 million.

The financial impact of the storms is reflected in the year-end figures. Direct claims incurred, representing claims before the effect of ceded reinsurance, totalled $130.8 million in 1983, compared to $95.9 million in 1982. An even more graphic illustration is the 121 per cent increase (to $66.1 million from

Five Year Comparison of Financial Statistics
General Business (Millions of $)

	1983	1982	1981	1980	1979
Direct Premiums Written	**$122.1**	114.1	107.0	93.0	80.8
Net Premiums Written	**$102.9**	94.9	87.8	76.6	65.2
Direct Premiums Earned	**$119.1**	111.0	98.6	84.7	75.9
Net Premiums Earned	**$97.4**	91.5	81.0	69.6	61.1
Premium Taxes	**$3.8**	3.0	2.6	2.2	2.0
Grants in Lieu	**$1.4**	1.2	1.0	.9	.7
Net Claims Incurred	**$80.1**	81.7	67.1	54.7	43.0

$29.9 million in 1982) in direct claims incurred on personal lines (Home, General Dwelling Protector, Tenant, Pension, and Mobile Home Paks).

The corporation's ceded reinsurance program prevented the storm losses from having an even more drastic impact on 1983 results. Combined with better experience in other areas, SGI was able to stabilize its net claims incurred, which declined by 2 per cent to $80.1 million.

Net premiums earned in 1983 increased 6 per cent, to $97.4 million, resulting in an overall earned claims ratio (the ratio of net claims and adjusting costs to net premiums earned) of 82.3 per cent, a noteworthy improvement from the 89.4 per cent recorded in 1982.

Although the claims trend is promising, the storms were primarily responsible for an underwriting loss of $14.7 million before assumed operations. Approximately $10.5 million (net) of this amount is attributable to the three major storms in Saskatoon, Regina and Pennant.

Recognizing its obligation to reduce the loss and inconvenience associated with such rainstorms, SGI launched a public education program in late 1983, aimed at minimizing losses due to sewer backup, which accounted for 80 per cent of the storm claims and $39.5 million in payments.

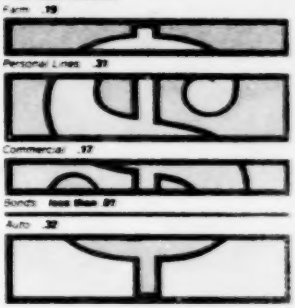
A brochure entitled "How to Keep Your Basement Dry" was distributed to 200,000 homes, businesses, and insurance agents across Saskatchewan. It gives practical tips to help reduce the danger of basement flooding, outlining such information as how to fix eavestroughs, provide good drainage, clean up damage and file a claim.

Marketing

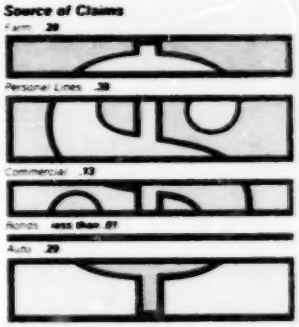
SGI is the leading property/casualty insurer in Saskatchewan, underwriting approximately 44 per cent of the total market. Policies in force at year end total 455,518, 5 per cent lower than 1982. Changes in values and rates enabled direct premiums written for 1983 to reach $122 million, a 7 per cent increase over 1982 and a 14 per cent increase since 1981.

In the '70s, SGI's marketing strategy concentrated on high volume production to increase sales and market share during a period of rapid growth. But as competition within the industry became more keen, staying competitive meant cut rates and inferior underwriting standards. The result was a portfolio of substandard business.

Sources of Premium Income



Source of Claims



The July 9 storm in Regina dumped more than 100 mm of rain within 48 hours, turning city streets into canals in many neighbourhoods.

A public information program conducted in 1983 stressed that regular home maintenance may help prevent insurance losses.

Damaged household items were a common sight on Regina and Saskatoon streets after two severe storms hit the province in the summer of 1983.

A redirection of SGI's market strategy, begun in 1982, addresses this by concentrating on underwriting the highest quality business possible while maintaining a stable and strong market position. In some cases, minor adjustments in premiums and/or coverages were all that was required. Other lines demanded more vigorous attention to remedy specific problems.

Agro and personal lines products, which form nearly half of SGI's net premiums written, were clearly affected by the storms. The overall earned claims ratio on personal lines rose by 10 per cent in 1983 to 99 per cent. Similar losses forced all Saskatchewan insurers to examine the coverages they offered. Personal lines product redevelopment was discussed at SGI in 1983, and adjustments on some lines will be implemented in early 1984.

Results were similar in the corporation's agro lines. A 6 per cent increase in premiums earned was insufficient to offset an 18 per cent growth in claims incurred. The resulting 86 per cent loss ratio was 8 per cent higher than 1982.

Concern for the problem of underinsurance also led the corporation to request that its agents review all agro policies as they were renewed, to ensure that proper valuations were being carried, and that the customers' insurance program met their current needs.

In contrast to the personal lines, the performance of competitive auto products improved markedly in 1983, with premiums earned rising 25 per cent to $31.0 million. A concurrent drop in claims incurred contributed to the better showing, as did a drop in the average cost per claim. While the line recorded a slight loss in underwriting terms, stricter guidelines and selected rate increases helped reduce the overall earned claims ratio to 75 per cent, compared to 104 per cent in 1982.

SGI's commercial lines received considerable attention in 1983. Tighter underwriting standards and improved claims experience are shown in the 16 per cent decrease in claims incurred. As a result, the earned claims ratio dropped to a respectable 61 per cent, down nearly 12 per cent from 1982.

Reinsurance

Reinsurance is the function of insuring the risks of other insurance companies. SGI has engaged in both aspects of reinsurance--ceded and assumed--since the late 1940s. Ceded reinsurance (other companies insuring

a portion of SGI's risks), which is used to reduce the corporation's claims exposure in a given year, falls into the underwriting area. Assumed reinsurance (SGI's assumption of portions of the risks of other insurers) operates as a separate profit centre.

Ceded

SGI's program of ceded reinsurance was exceptionally important in 1983, because a large portion of the storm losses was ceded to other insurers. Reinsurance recoveries of about $37.2 million from the two largest storms, in Saskatoon and Regina, reduced the net loss from the two to slightly more than $9.5 million.

Assumed

During the year, an important event in SGI's assumed reinsurance portfolio occurred: a large component of a major international reinsurance contract was settled. Although the contract itself was cancelled in 1980, liabilities for claims incurred up to that time continue. With the settlement, SGI was able to reduce its overall claims liabilities in the assumed reinsurance area by more than $20 million.

This settlement was directly responsible for a $16.3 million profit on assumed operations for 1983. This compares with a loss of $32.3 million in 1982. Results from the rest of the portfolio continued to be adverse, and a loss of about $5 million would have occurred without the settlement.

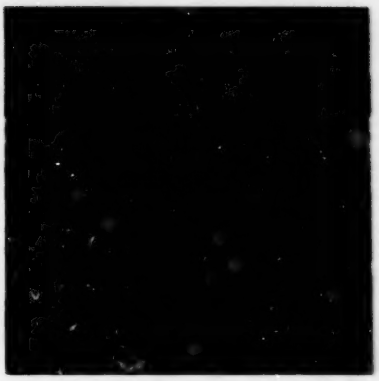
Investment Income

Investment income attributable to SGI's general business declined slightly in 1983, principally due to a drop in available short-term interest rates. General business investment income fell by $260,000 to $13.9 million.

Salvage

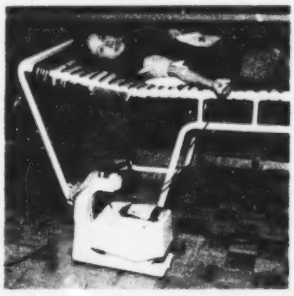
SGI's Salvage Division is a separate profit centre which recycles and sells auto parts, whole vehicles and general claims salvage. 1983 sales for the Division, which has branches in Regina, Saskatoon, Moose Jaw, North Battleford and Yorkton, reached a record $9.2 million, up 15 per cent from 1982. Net profit was $1.4 million, compared to $609,000 in 1982.

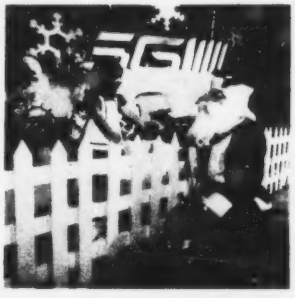
Following a period of review by the SGI Board, dismantling operations were consolidated in Regina and Saskatoon as part of an effort to increase productivity, lower administrative costs, and provide the maximum return to the Saskatchewan Auto Fund.

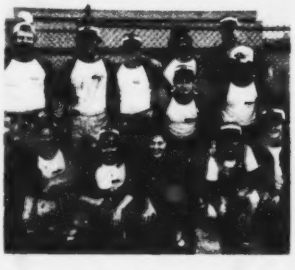


Blanket coverage provided by SGI's Agro Pak protects the farmer's land as well as his home and outbuildings.

A forklift loads cars onto a new multi-level stacker at SGI's Regina Salvage Centre.







SGI sponsored three Red Cross Blood Donor Clinics in 1983.

Santa confers with a fan in SGI's head office Christmas display.

The 1980's bring complex market conditions to agencies like Northern Insurance Services in Prince Albert.

SGI staff participate in a wide variety of sports, including slo-pitch softball.

The People Behind SGI

SGI employs nearly 1,300 people in 13 locations throughout Saskatchewan, who in turn reinvest a total payroll of $35.7 million in their communities. A force of 452 independent agents located in approximately 340 communities markets SGI's products. Sales for the year topped $122 million and commissions totalled $18.2 million.

The spirit of SGI's agents and employees goes far beyond the financial contribution they make to their communities. As city councillors, school board trustees, credit union officers and church board members, agents and staff have a hand in shaping community life.

The people behind SGI contribute to the United Way, donate blood to the Red Cross, coach local sports teams, sing in choruses, act in community theatre groups, and volunteer hours of their time to nonprofit service organizations.

Agents

In the '80s, new methods of product distribution will continue to gain ground in the insurance industry. The influx of financial services institutions into the industry is part of a larger trend which sees the traditional distinctions between banking, insurance and the securities fields becoming more and more blurred.

SGI recognizes that support for its agents is essential. By encouraging advanced training and professional development, SGI believes its agents will capitalize on the advantages they bring to the industry: diligent, personal service, comprehensive product knowledge, and convenience of location. SGI-sponsored seminars and the annual agents' convention are examples of SGI's efforts towards agent training.

Claims Service

1983 was like no other year for SGI's claims staff. 261 adjusters working out of SGI's 16 claims centres processed a total of 244,147 claims in 1983. While a reduction in auto claims is responsible for a 5 per cent overall decline in activity, general claims shot up by 9.1 per cent over 1982. After the two storms in Regina and Saskatoon, more than 20,000 claims were filed in a four week span. Adjusters worked 12 hours a day, every day, for more than eight weeks to provide quick and professional service to the thousands of claimants in

those two cities. The situation was exacerbated by a number of smaller storms which demanded attention that summer. Adjusters, appraisers and support people proved, however, that SGI's reputation for excellent claims service is well-deserved.

Five Year Comparison of Claims Activity					
	1983	1982	1981	1980	1979
Auto (Auto Fund & Extension)	**182,200**	200,292	176,665	188,481	186,311
General (Excluding Auto Extension)	**61,947**	56,758	55,403	54,880	52,950
Total	**244,147**	257,050	232,068	243,361	239,261

Reorganization

An administratively lean structure is essential for efficient, profitable operations. This was the objective of a major corporate reorganization in February, 1983.

In recent years, SGI had been preparing for expansion into ventures not directly related to property/casualty insurance. The main goal of the 1983 reorganization was to refocus the corporation on such insurance-related services as claims and underwriting. The new structure amalgamated departments and redefined responsibilities throughout the company.

The collective agreement between the corporation and its union expired on September 30, 1983. Negotiations, begun late in 1983, are expected to conclude amicably early in 1984 with the signing of a new contract.

Management and union representatives continued to refine the corporation's Affirmative Action Program in 1983. The program, developed by a committee of management and union employees, promotes employment opportunities for natives, women and the physically disabled at SGI.

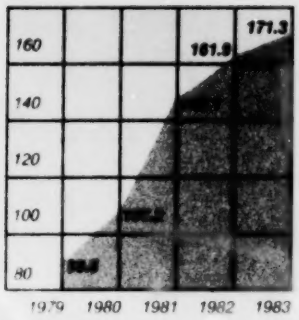
During the year, the committee delivered affirmative action seminars to corporate staff; prepared a brief for delivery to the Human Rights Commission; established a scholarship with the Saskatchewan Indian Federated College; began accessibility modifications to head office; provided aides to the disabled where possible; and studied entry level job requirements at SGI.

Head office Claims staff prepare branch claims for final processing.

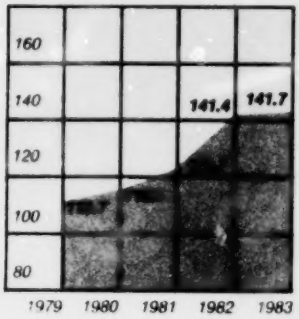
Cindy Dewyn, an Adjuster I at the Saskatoon Claims Centre, processes one of 71,433 claims handled by Saskatoon adjusters in 1983.

SASKATCHEWAN AUTO FUND

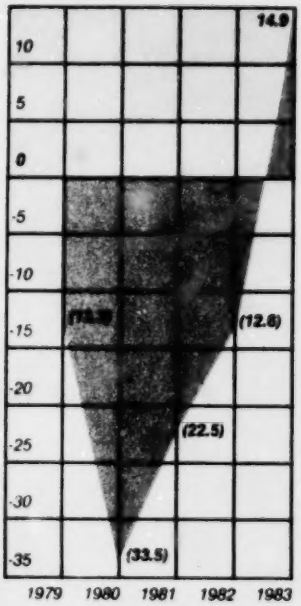
Saskatchewan Auto Fund Premiums Earned
Millions of $



Saskatchewan Auto Fund Claims Incurred
Millions of $



A.A.I.A. Rate Stabilization Reserve
(Millions of $)



The program conducted under The Automobile Accident Insurance Act, or Saskatchewan Auto Fund, is a self-sustaining entity providing basic, compulsory and universal insurance coverage to Saskatchewan drivers and vehicle owners. The plan, administered on behalf of the government by SGI, is intended to break even over time, with surpluses and deficits recorded in its rate stabilization reserve. Since its inception, the Fund has had 16 years of deficit and 23 years of surplus operations.

Large losses in 1979 and 1980 caused a deficit of $33.5 million in the reserve. Following two years of operating surpluses, the deficit stood at $12.6 million at the beginning of 1983. 1983 results completed the recovery. The operating surplus of $27.5 million retired the remaining deficit and established a surplus of $14.9 million, the first surplus in the reserve since 1978.

This outstanding performance is primarily due to a reduction in claims activity. As well, a change in the system of allocating administration costs between the Auto Fund and the general business decreased the Fund's administrative expenses by $6.8 million. The new method allocates all expenses directly to each operation, and those expenses not readily attributable to either side are allocated on a pro rata basis.

Results in 1983 were good: premiums earned increased 6 per cent over 1982 to $171.3 million, while claims incurred grew marginally to $141.7 million. The overall earned-loss ratio for 1983 was a respectable 83 per cent, down significantly from 1982. Although the Auto Fund was affected by the summer storms, losses to vehicles from rainstorms and floods were less severe than losses from hail in 1982.

Five Year Comparison of Financial Statistics Auto Fund (Millions of $)

	1983	1982	1981	1980	1979
Premiums Written	**$179.0**	170.4	163.7	119.2	92.9
Premiums Earned (excl. fuel tax)	**$171.3**	155.3	126.4	94.5	79.1
Motive Fuel Tax	**—**	6.6	19.7	12.7	11.5
Claims Incurred	**$141.7**	141.4	123.7	116.5	110.7
Other Expenses	**$18.7**	24.2	21.5	17.8	14.9

Investment income attributable to the Auto Fund rose to $16.5 million, a 20 per cent increase over 1982, due to improved cash flow.

Public Utilities Review Commission

In 1983, the Auto Fund was subjected to a thorough and public review of its operations, ratemaking structure and financial projections by the Public Utilities Review Commission (P.U.R.C.).

The P.U.R.C. has the authority to review rate increases proposed by three Saskatchewan utility Crown corporations: Saskatchewan Power, Sask Tel and SGI (as administrator of the Auto Fund). The Commission is chaired by Associate Chief Judge Ernest Boychuk and is composed of seven Commissioners.

In determining whether a proposed rate increase is reasonable and justifiable, the Commission examines a corporation's current revenue requirements, its rating structure and the level of service provided. After public hearings, during which the Commission listens to presentations from the corporation and all interested groups, the Commission will order approval, modification or denial of the request.

Formal hearings into the Auto Fund's application took place in June, 1983. SGI's submission analyzed the Auto Fund's revenue requirements, claims forecasting methods, ratemaking structure and the distribution of the proposed increase. SGI's argument outlined the basic operating objectives of the Fund, which call for breaking even over the long term, regular and reasonable changes to premiums, and the equitable distribution of those premiums.

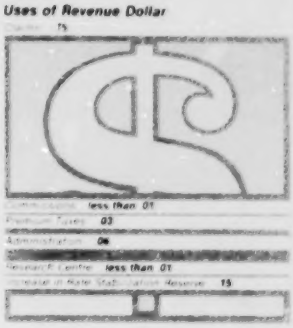
The average three per cent increase granted by the P.U.R.C. was effective August 1, 1983. As well as endorsing the Auto Fund's claims and rating models, the Commission voiced approval for the goals and objectives set for the Auto Fund.

Deductible Level

One issue clarified in 1983 was jurisdiction over the Auto Fund deductible. Changes to the deductible are made by the Lieutenant-Governor in Council under The Automobile Accident Insurance Act (A.A.I.A.). SGI management has long recognized that the value of the deductible in relation to claims and repair costs has seriously eroded. On July 1, 1983, the standard private vehicle deductible increased to $500 from $350 in an effort to redress that problem.

Sources of Auto Fund's Revenue Dollar

Uses of Revenue Dollar



Linda Klemp of the Motor Vehicle Division is one of six Licence Issuers at head office in Regina.

Inspecting vehicle damage is part of Bob Robinson's job as an Appraiser with Saskatoon Claims Service Centre.

Nearly 157,000 telephone inquiries were handled in 1983 by Licence Clerks like Donna Dunajski, who works for SGI's Motor Vehicle Division in Regina.

The Commission sought a determination from the Court of Appeal under The Public Utilities Review Commission Act of whether setting the deductible fell within the jurisdiction of the Commission. The Court decided in November that the fixing of the deductible level did not come within the powers granted to the Public Utilities Review Commission.

Separation of Auto Fund and General Business

In 1983, legislation was enacted which, commencing January 1, 1984, formally separates the financial statements of the Auto Fund and the property/casualty side of SGI.

Although the two operations have been separately accounted for in the past, previous legislation barred the A.A.I.A. from holding and recording assets separate and distinct from the property/casualty business. Thus, the possibility of one operation subsidizing the other existed, even though separate earnings and operational statements were kept. It was this possibility which led the P.U.R.C. to advocate a formal division.

The new legislation creates a separate entity called the Saskatchewan Auto Fund. In the future, the Fund will issue separate financial statements, which will more clearly delineate assets and investments attributable to its operation.

FINANCIAL STATEMENTS

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements have been prepared by the management of the corporation in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors. The independent auditor has performed an audit of the corporation which has enabled him to express his opinion on the financial statements of the corporation. This opinion is shown on page 19.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

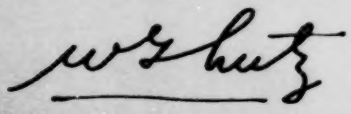
An Audit Committee composed of members of the Board of Directors [illegible] with financial officers of the corporation [illegible] independent auditor [illegible]

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan:

I have examined the statement of financial position of Saskatchewan Government Insurance as at December 31, 1983 and the statements of retained earnings, Automobile Accident Insurance Act rate stabilization reserve, operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



W.G. Lutz, F.C.A.,
Provincial Auditor

Regina, Saskatchewan
March 2, 1984

STATEMENT OF FINANCIAL POSITION

December 31	1983	1982
Assets		(Thousands of $)
Cash and Investments Maturing Within One Year	$78,397	$73,604
Accounts Receivable	35,776	31,373
Prepaid Expenses and Inventories	20,365	17,679
Long Term Investments (Note 1)	185,029	160,665
Net Investment in Capital Lease (Note 1)	14,709	14,615
Property, Plant & Equipment (Note 4)	32,335	31,925
	$366,611	$329,861
Liabilities		
Accounts Payable & Accrued Charges	$22,[illegible]	$24,[illegible]
Unpaid Claims (Notes 1 & 5)	150,[illegible]	161,[illegible]
Unearned Premiums	146,[illegible]	139,[illegible]
	319,[illegible]	325,[illegible]
Capitalization		
Advances (Note 3)	57,[illegible]	57,[illegible]
General Insurance—Retained Earnings (Deficit)	([illegible])	([illegible])
Automobile Accident Insurance Act Rate Stabilization Reserve	14,[illegible]	([illegible])
	47,[illegible]	
	[illegible]	

[illegible]

STATEMENT OF RETAINED EARNINGS

Year Ended December 31	1983	1982
General Insurance		(Thousands of $)
Unappropriated Retained Earnings (Deficit)		
Balance Beginning of Year	$(34,473)	$1,197
Net Earnings (Loss)	9,791	(38,824)
Transfer from Appropriated Retained Earnings - Catastrophe Reserve	–	3,154
Balance End of Year	(24,682)	(34,473)
Appropriated Retained Earnings		
Balance Beginning of Year	–	3,154
Transfer (to) Unappropriated Retained Earnings - Catastrophe Reserve	–	(3,154)
Balance End of Year	–	–
Total Retained Earnings (Deficit)	$(24,682)	$(34,473)

(See accompanying notes)

STATEMENT OF OPERATIONS

Year Ended December 31	1983	1982
General Insurance		(Thousands of $)
Direct Net of Ceded		
Premiums Written	$102,864	$94,874
Premiums Earned	$97,359	$91,478
Investment Earnings	13,930	14,190
Other Income	1,543	748
Total Revenue	112,832	106,416
Claims Incurred	80,111	81,739
Commissions	18,214	17,385
Premium Taxes	3,787	2,975
Administrative Expenses (Note 1)	17,229	10,812
Total Claims and Expenses	119,341	112,911
Income (Loss) Before Assumed Operations	(6,509)	(6,495)
Income (Loss) From Assumed Operations (Note 7)	16,300	(32,329)
Net Earnings (Loss)	$9,791	$(38,824)

(See accompanying notes)

Year Ended December 31	1983	1982
Automobile Accident Insurance Act		(Thousands of $)
Premiums Written	$179,055	$170,400
Premiums Earned	$171,303	$161,869
Investment Earnings	16,478	13,706
Total Revenue	187,781	175,575
Claims Incurred	141,667	141,437
Commissions	1,508	1,321
Premium Taxes	6,133	4,856
Administrative Expenses (Note 1)	10,871	17,862
Automobile Research Centre Net Cost	149	137
Total Claims and Expenses	160,328	165,613
Net Increase to Rate Stabilization Reserve	27,453	9,962
Rate Stabilization Reserve: Balance Beginning of Year	(12,562)	(22,524)
Balance End of Year	$14,891	$(12,562)

(See accompanying notes)

STATEMENT OF OPERATIONS AND RATE STABILIZATION RESERVE

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31	1983	1982
Resources Provided		(Thousands of $)
General Insurance		
Net Earnings (Loss)	$9,791	$(38,824)
Adjustments to Convert Earnings to a Cash Basis:		
Loss (Gain) on Sale of Fixed Assets	(45)	18
Increase (Decrease) in Prepaids, Receivables, Payables and Deferred Accounts (Net)	(25,501)	38,222
Depreciation and Amortization	971	1,739
Resources Provided by General Insurance Operations	(14,784)	1,155
Proceeds from Disposal of Fixed Assets	184	67
Resources Provided by General Insurance	(14,600)	1,222
The Automobile Accident Insurance Act		
Net Increase to Rate Stabilization Reserve	27,453	9,962
Adjustment to Convert to a Cash Basis:		
Increases in Prepaids, Receivables, Payables and Deferred Accounts (Net)	17,823	18,122
Resources Provided by the A.A.I.A.	45,276	28,084
Total Resources Provided	$30,676	$29,306
Resources Applied		
Acquisition of Fixed Assets	$2,023	[illegible]
Increase in Short Term Investments	[illegible]	[illegible]
Increase in Long Term Investments	[illegible]	[illegible]
Decrease in Equity Advances	[illegible]	[illegible]
Total Resources Applied	[illegible]	[illegible]

(See accompanying notes)

1. Significant Accounting Policies

The corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments

(a) Bonds and debentures having an amortized value of $134.2 million (1982 - $123.9 million) and quoted market value of $126.0 million (1982 - $117.6 million) have been accounted for on the "deferral and amortization" method. Under this method, realized gains and losses on disposals are deferred and amortized over the period to maturity of the security sold. The unamortized portion of realized gain or loss is included in the amortized value of bonds and debentures.

(b) Shares and convertible bonds, having a cost/amortized value of $35.5 million (1982 - $24.0 million) and a quoted market value of $40.0 million (1982 - $26.8 million), have been accounted for on the "fair value" method determined to be $35.9 million (1982 - $23.6 million). This method values shares on a five year moving average of market values, thereby allowing for a gradual movement towards current quoted market values.

(c) Mortgages are accounted for on the same basis as bonds and debentures held as long term investments.

Premium Acquisition Cost

Premium taxes and commissions are charged to expense over the terms of the insurance policies to which such costs relate.

Depreciation

which are expected to amortize the cost over the service life of each asset.

Unpaid Claims - General

The provision for unpaid claims includes the estimated cost to the corporation of reported claims, and an estimate based on the claims settlement experience of the corporation of the cost of claims yet to be reported.

Capital Lease

The corporation as lessor has a lease agreement with a government department for a term of thirty years (twenty-seven years remaining) on property in Prince Albert. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee. The investment in the capital lease reflects the present value of future lease payments discounted at an interest rate implicit in the lease.

Unearned Premiums

Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

Investment Earnings

Investment earnings from insurance operations are allocated between the general business and the A.A.I.A. on the basis of the cash flow analysis of the corporation. General business investment earnings are further distributed between the direct net of ceded business and the assumed operations.

Investment income from capital advances are attributed to the general business.

Foreign Exchange

NOTES TO THE FINANCIAL STATEMENTS

gains and/or losses arising on translation are charged to operations in that year.

Administrative Expenses

Administrative expenses, including claims adjusting costs incurred by the corporation in respect of the corporation's full operations, are allocated between the general business and the Automobile Accident Insurance Act in accordance with Order-in-Council No. 1235/68.

For 1983, introduction of a recognized cost accounting system allowed SGI to allocate administrative costs between the general business and the A.A.I.A. by:

(a) Direct allocation of expenses identifiable as being incurred on behalf of the A.A.I.A. or general business; and

(b) Pro rata allocation for those expenses which are not readily identifiable or attributable to either the A.A.I.A. or general business.

In 1982, all administrative costs were allocated to the A.A.I.A. on the basis of a percentage of premiums written.

Superannuation

The corporation has a retirement plan covering its employees. Current service costs of this plan are charged to earnings on the basis of actuarial valuations made every third year. Prior year's service benefits are fully funded as the fund is in a surplus position per the actuarial valuation made as at December 31, 1982.

The corporation matches employee contributions to this plan.

2. Status of the Corporation

Saskatchewan Government Insurance was established as a branch of the Public Service by The Government of Saskatchewan Insurance Act, 1944, reorganized pursuant to The Saskatchewan Government Insurance Act, 1946, and continues under the provisions of The Saskatchewan Government Insurance Act, 1980.

The corporation conducts a general insurance business under the provisions of its Act.

The accounts of the corporation are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan, the financial holding company of the Province of Saskatchewan.

3. Advances

Advances from the Crown Investments Corporation of Saskatchewan (C.I.C.) are non-interest bearing and repayment is at the discretion of C.I.C.

4. Property, Plant and Equipment

5. A.A.I.A.

The corporation administers a comprehensive automobile insurance program under the provisions of The Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan 1978). In December, 1983 this Act was amended to provide for the creation of a separate fund entitled the Saskatchewan Auto Fund. Effective January 1, 1984, all assets and liabilities pertaining to the compulsory comprehensive automobile insurance program and the Rate Stabilization Reserve balance, which have previously been recorded in the accounts of SGI, will be transferred to the Saskatchewan Auto Fund. The A.A.I.A. and the Saskatchewan Auto Fund will be administered by SGI.

The accumulated earnings of the A.A.I.A. are retained in the Rate Stabilization Reserve for the future benefit of Saskatchewan's motoring public and cannot be used for the payment of general dividends.

Premiums charged under the provisions of The Automobile Accident Insurance Act are subject to the review and approval of the Public Utilities Review Commission.

7. Assumed Reinsurance

The corporation underwrites a portfolio of assumed reinsurance, which accepts a portion of the risk of other insurers. In 1983, assumed reinsurance premiums earned amounted to $9,036,000 (1982 - $13,498,000); claims incurred were ($9,266,000) representing a net recovery (1982 - $44,565,000); and the profit from assumed reinsurance operations was $16,300,000 (1982 - loss $32,329,000). The 1983 assumed reinsurance profit is due to the achievement of an agreement terminating a substantial part of SGI's assumed reinsurance liabilities. The major portion of these liabilities were incurred under a reinsurance arrangement which was terminated in 1980. This 1983 agreement enabled SGI to reduce the estimate for unpaid claims liabilities recorded for prior underwriting years.

8. Remuneration of Directors and Senior Officers

Directors of the corporation received remuneration totalling $66,300 in 1983 (1982 - $28,330). The six senior officers of the corporation on staff at year-end received $371,375 in salaries for 1983 (1982 - $317,377 representing five senior officers).

9. Related Party Transactions

BOARD OF DIRECTORS

Allan W. Wagar
Chairman of the Board
Formerly Chief Executive Office
Co-operative Trust Company
of Canada
Regina

Honourable Paul E. Rousseau
Vice-Chairman
Minister of Revenue and
Financial Services
Province of Saskatchewan
Regina

Arden E.B. Erman
Owner
Brinkley's Funeral Service Ltd.
Maple Creek

Eli L. Fluter
Treasurer
H.A. Roberts Group
Regina

James N. Goring
Farmer
Biggar

Ted Henson
Owner
Ted Henson Pontiac, Buick
GMC Ltd.
Saskatoon

Ronald J. Hicks
Partner
Deliotte Haskins and Sells
Saskatoon

Ronald W. Jeffery
Owner
Prairie Agencies Ltd.
Weyburn

Donald R. Leier
President
Cavalier Inns
Saskatoon

D. Alaistair K. MacLean
Partner
MacLean Keith McDonald
and Love
Regina

Ray Malinowski
Vice President and
General Manager
Leon's Manufacturing Co. Ltd.
Yorkton

Alan E. Nicholson
General Manager
Canadian Pioneer
Management Ltd.
Regina

George F. Shaw
Partner
Gibson Shaw Skilnick
and Kemp
Esterhazy

Ron L. Skinner
President
Yorkton Television Co. Ltd.
Yorkton

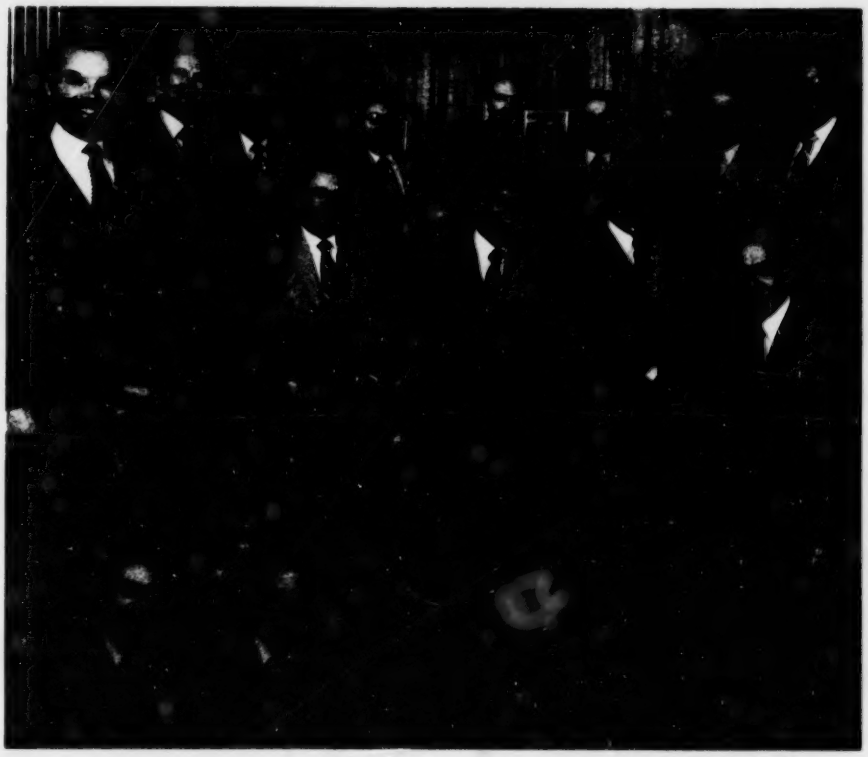
Edward Sulewski
Farmer
Paddockwood

Executive Committee
Eli Fluter, Chairman
Donald R. Leier
D.A.K. MacLean
Allan W. Wagar

Audit and Finance Committee
George R. Shaw, Chairman
Ted Henson
Ron L. Skinner

A.A.I.A. Committee
Alan E. Nicholson, Chairman
Ronald J. Hicks
Allan W. Wagar

Reinsurance Committee
D.A.K. MacLean, Chairman



(Left to Right): *Grant Gibson, Secretary to the Board; Ron Jeffery; Arden Erman; George Shaw; Al MacLean; Edward Sulewski; Ted Henson; Chairman Al Wagar.*

Front Row: *Ronald Hicks; Donald Leier; Ray Malinowski; Vice-Chairman Hon. Paul Rousseau.*

Inset: (Top Left; Clockwise) *Alan Nicholson; Ron Skinner; Eli Fluter; James Goring.*

POOR

QUALITY

ORIGINAL